

PLIGHT OF SHORTS IN LEHIGH VALLEY

Unprecedented Ruling on Rights
Makes the Stock Scarce
and High.

COMPANY MAY LEND HELP

Big Interests Not Likely to Permit a Squeeze, But Shorts Seem to

The plight of the speculator who "sells what isn't his'n" was made unpretentiously irksome by a ruling of the New York Stock Exchange yesterday. The ruling concerned trades in Lehigh Valley stock, which for many weeks has been one of the most active mediums of speculation on the big board and on many days of late an even more active stock than Steel common, Union Pacific and Reading, the three great speculative favorites of recent years. The ruling, in far as it could be construed by officers of the Stock Exchange, compels speculators short of the stock to buy in the stock on the Stock Exchange before noon Friday, January 19, or go out on the cur-

and purchase at the curb market price contracts for the delivery of the stock of a company not yet organized and whose only assets, as far as at present unmined, will be intangible.

The company is the cause of greater confusion among brokers, speculators and officers of the Stock Exchange and of greater trepidation among bearish speculators in Lehigh Valley than had any other purely Stock Exchange occurrence of the last year. Conservative brokers after considering it carefully were of the opinion that no great hardship would be imposed upon the bears and men influential in the Lehigh Valley company insisted that there was no reason why they should be treated harshly. Nevertheless officers of the Stock Exchange, admitting that their ruling was unprecedented, said that it resulted from action all but unprecedented on the part

of the Lehigh Valley management and looked to the Lehigh Valley management for formal as well as an unofficially assured relief for members of the Stock Exchange who have been operating strictly under old Stock Exchange customs.

Taking all controversies relating to short selling, this Lehigh Valley case is intricate. For a proper understanding of it every member of the Exchange had to revert to the action of the Lehigh Valley directors last Thursday when, cutting a melon, they offered stockholders in the railroad company, a 10 per cent. cash dividend or the privilege of subscribing to the stock of a coal sales company, to be organized for the purpose of selling coal to the members of the Exchange to the extent of 10 per cent. of their holdings. Immediately the stock of the coal sales company was dealt in on the curb market, when, as and if issued, at a price approximating \$200 a share. Accordingly it was more advantageous by approximately \$10 a share to a stock

In all but one previous instance in *Suez*, a change of control, however, a stockholder who held most, but not all, of the stock had the right to subscribe to new stock that subscription right has been a matter of barter. If the stockholder preferred to sell his "rights," as they are called in the open market, he had that privilege and the company provided subscription warrants which were transferable. Such rights have been dealt in time out of mind, even when Lehigh Valley last Thursday announced an offering of subscription rights. But in *Suez*, the rights were not granted that these rights were transferable. Trading in them began instantly on the curb at prices ranging between \$1 and \$1.50 when suddenly the company sent word that these rights were non-transferable and the trading ceased, with all previous

In an official notice sent to stockholders later that day by E. B. Thomas, president of the Lehigh Valley Railroad Company, it was stated that the stockholder desiring to take stock in the coal company must execute a power of attorney authorizing Drexel & Co. to subscribe to the capital stock of the coal sales company, Drexel & Co. of course to turn over the stock to the stockholder upon receipt by them. This notice emphasized the previous notice that the subscription privilege was no transferable and put it beyond the power of the stock

holder to transfer his rights. The company simply gave him an asset in exchange for his stock, and he was only entitled to an attorney to convey the stock to the addressee. He executed a stock of attorney conveying to Drexel & Co. his cash dividend and authorizing, empowering and instructing Drexel & Co. to purchase with the receipts from the dividend coal sales stock for the stockholder's account. Moreover, it was specified that if any stockholder desired Drexel & Co. to secure any of the coal sales stock for him he must empower that firm to secure all the coal sales stock to which the stockholder was entitled.

formal notice of its action in order that the Stock Exchange officers might make transactions in Lehigh Valley stock conformable with this novel condition. The committee on securities of the Stock

Information having been received that the Lehigh Valley Railroad Company of record January 19, 1912, will receive a dividend of 10 per cent and will be given the privilege to subscribe to capital stock of the Lehigh Valley Coal Sales Company to the extent of 10 per cent of their stockholdings, said dividend of 10 per cent will be paid in cash to the stockholders on subscription, the committee on securities that all transactions in Lehigh Valley Railroad Company stock on January 19, 1912, except for cash, shall be at the dividend of 10 per cent and the privilege to subscribe for capital stock of the Lehigh Valley Coal Sales Company. Transactions in said stock made prior to January